WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1069

IN THE MATTER OF:		Served July 20, 1970
Application of Greyhound Airport Service, Inc., for Increase in Taxicab Fares.	))))	Application No. 620 Docket No. 217

APPEARANCES:

L. C. MAJOR, JR., attorney for Greyhound Airport Service, Inc., applicant.

CHARLES J. PILZER, attorney for Taxicab Industry Group, protestants.

DANIEL SMITH, attorney for Tan Top, Metropolitan, Allied, and City Cab Companies, protestants.

IRVING SCHLAIFER, *pro se*, protestant.

DOUGLAS N. SCHNEIDER, JR., General Counsel, Washington Metropolitan Area Transit Commission.

By Application No. 620, filed April 16, 1970, Greyhound Airport Service, Inc. (Airport Service), which operates the exclusively authorized taxicab service at Washington National and Dulles International Airports, sought permission to increase taxicab fares between those airports and points within the Metropolitan District.

The application was to increase the present fare of 60 cents for the first mile and 25 cents for each additional half mile to 60 cents for the first one-third of a mile and 20 cents for each additional third of a mile. Airport Service also sought to increase the charge for waiting time.

Order No. 1040, issued May 8, 1970, denied applicant's request that the increase be allowed to become effective immediately, in order to enable a public hearing to be held on the application. Such hearing was convened on May 21, 1970, and continued on May 28, 1970 and June 1, 1970. Airport Service, the staff, and all three party protestants presented testimony; and in addition a statement was made on behalf of the Arlington County Democratic Committee.

Airport Service presented consolidated operating statements (combining the taxicab operation with the limousine and bus operation) showing an operating loss for the Calendar Year 1969 totaling $146,713, after income tax carrybacks.

Airport Service then presented operating statements for the taxicab segment showing that for Calendar Year 1969 there was a net operating income (before interest expense) of $6,800, representing .2% of gross operating revenues of $3,249,821. After giving effect to wage increases under the new labor contract, Airport Service developed figures for 1970 projecting a net loss of $351,689; this was based on a continuation in 1970 of the same level of revenue as the company experienced in 1969.

Airport Service, during the hearings, revised its forecast for the future annual period, making adjustments and corrections which reduced operating costs by $36,471. The following table shows, in the first column the applicant's forecast for the future annual period, assuming no increase in taxicab fares is authorized (Company Exhibit No. 4). The second column in the table lists the adjustments made by the company in its Exhibit No. 11. The final column gives effect to the adjustments as listed.

GREYHOUND AIRPORT SERVICE, INC. OF VIRGINIA (TAXICAB SERVICE)
OPERATING STATEMENT FOR FUTURE ANNUAL PERIOD - AT PRESENT FARES

	PER COMPANY EXH. NO. 4	ADJUSTMENTS PER COMPANY EXH. NO. 11	FUTURE ANNUAL PERIOD - ADJUSTED
Revenue	$ 3,249,821		$ 3,249,821
Drivers' Wages	1,481,749	($ 18,086)	1,463,663
Transportation Expense	527,459		527,459
Franchise Fee	324,982		324,982
Maintenance Expense	512,186		512,186
Traffic and Advertising Expense	62,018		62,018
Insurance and Safety Expense	238,434		238,434
Administrative and General Expense	298,356	(14,000)	284,356
Depreciation	244,121	(1,282)	242,839
Operating Taxes and Licenses	109,609	(3,103)	106,506
Rents	39,231		39,231
Operating Allocation for Cabs in Group Service	(252,180)		(252,180)
Net Operating Costs	$ 3,585,965	($ 36,471)	$ 3,549,494
Net Operating Income	(336,144)		(299,673)
Loss on Sale of Assets	(15,545)		(15,545)
Net Operating Income Before Taxes	$ (351,689)		$ (315,218)

We take up, first, the adjustments made by the company itself. All of them were reductions in projected expenses. The adjustment for drivers' wages was to correct for errors made in calculating the effect of taxicab drivers' operating their vehicles occasionally as limousines. The adjustment to administrative and general expenses was occasioned by a $5,000 reduction to officers' expenses provided for travel and relocation costs of officers assigned to the Washington company. The remaining $9,000 adjustment was made in order to properly spread the legal fees involved in the labor arbitration proceedings over 33 months, which would coincide with the life of the new labor contract. The minor adjustment to depreciation covered the provision for depreciation and installation at Dulles International Airport which never materialized. The adjustment to operating taxes and licenses was made by the company at the suggestion of the WMATC staff.

The above table shows that the taxicab segment will produce a net operating loss of $315,218 during the future annual period. However, during the course of the hearing, many of the figures appearing in this table were subjected to challenge. Each of the challenged items will be discussed in the order in which they appear in the above table.

REVENUE

Against the company forecast of a continuation in 1970 of the 1969 level of revenues, a member of the Commission's Engineering Staff forecast increased revenues of $122,000, based upon a 3% increase in passengers at Washington National Airport and a 22% increase in passengers at Dulles International Airport. However, a representative of the Federal Aviation Agency, who had supplied the passenger trend percentages, appeared at the hearing and testified that later information caused him to revise his estimates for 1970 to show a net increase in passengers for the year at Washington National Airport limited to only .15%. He forecast only an 8.10% increase at Dulles International Airport. As some 94% of applicant's business is generated at Washington National Airport, we conclude that the revenue forecast of the applicant is more realistic than that proposed by the Transit Commission staff.

DRIVERS' WAGES AND TRANSPORTATION SUPERVISION

There was considerable challenge and testimony surrounding these figures, aimed particularly at questioning the method used by applicant to allocate dispatchers' wages between taxicab and other services as well as the allocation procedure for assigning taxicab drivers' wages to those trips which, although utilizing a taxicab vehicle, are run and recorded as a limousine trip. Applicant followed the allocation methods previously developed in conjunction with the Commission staff in connection with the last airport rate case, in which the predecessor company was involved. We have been presented with no persuasive reasons why this method, worked out in conjunction with the Commission staff and followed over a period of several years, does not result in a reasonable allocation. We are satisfied that, at least for the purposes of the present determination, the figures allocated to the taxicab segment by the applicant are satisfactory.

MAINTENANCE EXPENSE

During the course of the hearing, much testimony was received regarding the escalation in the price of repair parts for vehicles. No broad, thorough research had been undertaken on this matter by any of the parties. No substantial information was developed to support a specific amount of increase in parts expense. The adjustment proposed by the company was particularly dubious in view of the fact that the company was forecasting a reduction in the service life of its taxicabs from 30 months to 24 months. It would seem that this might have a concomitant effect on the level of parts and maintenance required. An examination of the detailed exhibits shows that the increase in parts cost forecast by the company was something over 25%. We will therefore, for purposes of this calculation, disallow the forecast increase in maintenance parts, which amounts to $38,827.

TRAFFIC AND ADVERTISING EXPENSES

A portion of this item was criticized by some of the protestants on the ground that some of the expense might not be incurred. Specifically, they challenged the amount of $16,800 allocated to the taxicab segment. This expenditure apparently was part of the commitment made by the carrier to the Federal

Aviation Administration to budget some $29,000 for advertising. In view of the fact that actual advertising expenditures during 1970 had already reached the level of $16,300, the projected costs in this category will not be disturbed.

INSURANCE AND SAFETY EXPENSE

The major item of dispute here revolved around the charges for public liability and property damage insurance. Since March 30, 1969, the insurance carrier has been a subsidiary of the Greyhound Corporation, of which the applicant is also a subsidiary. The charge for this item to the taxicab segment in 1968 was approximately $119,000. For 1969, the charge was $90,797, and the forecast for 1970 was $125,984. Because the company has not demonstrated that the premiums would be at the same or higher level if insurance were purchased from a carrier not related to the applicant, we will, for the purposes of this particular decision, adjust the charge back to the 1969 level. Thus, the company's projection will be reduced by $35,187.

ADMINISTRATIVE AND GENERAL EXPENSES

One of the components of this group of expenses which was challenged by some of the protestants was the projected cost to the applicant for the new employee benefit program. The company had forecast that 75% of the employees would participate, it being a program subject to the option of each employee. The protestants argued that there would probably be only minimal employee participation. However, the applicant's witness pointed out that 40% of the drivers participated in a similar program in 1969. At that time the company's contribution to the plan was limited to $6.50 per man. Under the 1970 plan, the company's contribution is $26.50 per person. This leads us to believe that the company's forecast of 75% employee participation is a reasonable one.

Another portion of the expenses under this category involved the cost of relocating company officials to Washington. Testimony brought out that the amount being charged to the taxicab expenses for 1970 for this purpose was $8,500. The company had adjusted this amount, reducing it by $5,000. We will at this point reduce it another $3,500, thus eliminating the entire $8,500 as an expense in the future annual period. The relocations were occasioned by the takeover of this company by Greyhound. No showing was made that similar expenses could be expected to recur and must be allowed for the future.

DEPRECIATION

The depreciation charge for garage buildings showed an increase in 1970 over 1969 in the amount of $9,059. The company reduced this forecast of depreciation by $1,282 because of a fuel installation at Dulles Airport which did not materialize, but when queried about an additional installation at National Airport which likewise did not materialize, the applicant's witness said that depreciation on the latter item had also been adjusted out. Actually, the latter adjustment was not made in the company's exhibits. We will, however, make the adjustment here in the amount of $7,777.

LOSS ON SALE OF ASSETS

This item involves losses on sale of old taxicabs. Some of the protestants questioned whether this was a recurring item of expense. However, the record showed that the applicant had already experienced losses at the level claimed during 1970 to date. We will, therefore, allow the amount projected by the company.

The effect of the additional adjustments described above is to reduce the recognized operating expenses of the company projected for 1970 and arrive at a net operating loss of $229,927, before giving any effect to the cost of servicing any debt of the company.

Protestants raised objections at the hearing concerning the propriety of considering taxicab fares in isolation from the remainder of the company's operations. It was pointed out that an increase in taxicab fares would merely widen the disparity in cost of transportation between limousines and taxicabs. This could drive many prospective taxicab riders into the lower-priced limousine service, thus injuring the general taxicab industry for the area. We believe there is substance in this objection. We believe that before considering rate increases of the magnitude sought by Airport Service, we should have the opportunity of reviewing the rates for the entire range of the applicant's operations.

This problem has now moved toward resolution, however. The company, on July 13, 1970, filed an application seeking rate increases for its full range of operations. This will provide us with the opportunity we need for full consideration of the problem.

Meanwhile, we do not consider it either sound or legally permissible to require the company to conduct its taxicab operations at a substantial loss. Hence, we would be prepared to allow an interim increase in taxicab rates sufficient to cover the deficit of $229,927 which was found above to exist.

We will order the applicant to devise a fare structure which will permit it to break even, based upon the revenue and expense forecasts adopted here, and which will be workable within the constraints of the taxi meters with which its vehicles are equipped. Upon receiving such a fare structure, the Commission will review the fare structure as proposed, and, upon approval, will permit the new fares to go into effect.

One of the items included in the request for fare changes was a special service for handling baggage beyond the curb-side discharge point, being 25¢ per bag with a 50¢ minimum, the entire payment to inure to the benefit of the cab driver. The Commission will act upon this request at the same time that it takes action on the new schedule of fares to be submitted by the carrier, as discussed above.

THEREFORE, IT IS ORDERED that Greyhound Airport Service, Inc. submit a fare structure for taxicab service designed to produce net revenues sufficient to overcome the operating deficit of $229,927 as found in this Order.

BY DIRECTION OF THE COMMISSION:

George A. Avery

GEORGE A. AVERY
Chairman